

1952

Annual Report

FOOD FAIR STORES, INC.

For the fiscal year ended April 26, 1952

FOOD FAIR

FOOD FAIR

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CORPORATION FILE



Food Stores Top 1951 Retail Parade

• **The Star**—Long term, short term, any way you look at it, Food Fair was the star performer in sales gains. This fast-rolling operation made the top 20 list for the first time in 1950. Last year, thanks to a 26% increase, it picked up its skirts and jumped two steps up, to 18th place. And its gain of 983% since 1939 is by all odds the biggest long-term stride forward.

BUSINESS WEEK • May 24, 1952

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HIGHLIGHTS—1951-52

Food stores claimed laurels for progress in the retail trade.

Food Fair outdistanced major retail food systems in growth.

Company strengthened its position as seventh largest retail food system, advanced to eighteenth place among the 20 biggest retailers.

Number of Food Fair supermarkets increased by 28, to 151.

Sales increased 26.4%, to \$259,590,810, from \$205,643,640.

Average sales per store were \$1,719,140.

Net income was \$3,885,280, or \$1.62 per common share, compared with \$4,708,889, or \$2.08 per share, in 1950-51.

Net income per dollar of sales was 1.50 cents, against 2.29 cents in 1950-51.

Cash dividends of 80 cents per share on the common stock were supplemented by a 3% stock dividend.

Sales gains feature the beginning of the current fiscal year.

FOOD FAIR

STORES, INC.

Annual Report

FISCAL YEAR ENDED APRIL 26, 1952

FOOD FAIR



Forward

MANY yardsticks can be used to measure business growth. The growth of Food Fair Stores, Inc., can be gauged by year-to-year changes in the number of supermarkets operated, by the number of communities served, and by several other indices. Financially minded persons will use yardsticks of dollar denominations, such as sales, earnings, net worth, dividend payments and earned surplus.

Impressive as each of them is, none of these indices is more indicative of Food Fair's growth than the increase from year to year in the number of men and women associated with the Company as employees and shareholders.

As indicated on page 21 of this report, there are approximately 10,000 employees at present, in contrast with only about 750 back in 1937. As reported on page 20, there are approximately 6,500 registered owners of the Company's capital shares, compared with about 50 fifteen years ago. The difference between the Food Fair business of fifteen years ago and now is essentially the difference between a small, private family enterprise and a large industrial organization, vested with broad public interest.

By furnishing capital for new sites, new supermarkets, warehouses, fixtures and equipment, shareholders of the Company have contributed importantly to Food Fair's phenomenal growth. Consequently, they have contributed to the national welfare by providing modern food

merchandising facilities for more and more families in more and more communities. By the same token, they have afforded increased opportunities for employment and for job advancement.

If it were practicable, the management of Food Fair Stores, Inc., would render personally each year an account of stewardship to each of the Company's thousands of shareholders and employees. This year, Edwin Moore, a shareholder, and Mrs. Harry Spath, an employee and shareholder, took the opportunity to visit President George Friedland, tour the Company's various departments and discuss operating results, problems and prospects.

Visiting offices, warehouses, and supermarkets, they learned of the Company's program for making jobs safer and better through new equipment, improvements, training, safety rules, and health insurance—in fact, everything about the Company that contributes to the security of Mrs. Spath's job and the security of the savings which both she and Edwin Moore have invested in Food Fair.

In effect, then, this annual report to shareholders, which is available to employees, recounts the experience of a Food Fair shareholder and an employee who, at the end of their visit with President Friedland and other officers, remarked enthusiastically, "It's too bad that all shareholders and employees could not have joined us on our tour."



FOOD
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INC.
GENERAL OFFICES

FOOD FAIR STORES
INC.

FOOD
FAIR
STORES
INC.
GENERAL OFFICES



George Friedland, President, welcomes shareholder and employee, and discusses Food Fair's problems and progress.

President's Message

It is gratifying to report that the fiscal year ended April 26, 1952, was a year of record-breaking growth for Food Fair Stores, Inc. During the year, the steady expansion which has featured the business since its inception nearly a third of a century ago was continued, and at a sharply accelerated pace.

The accomplishments during the year are clearly reflected in the consolidated financial statements which are certified as of April 26, 1952, by independent accountants. The achievements are manifest in other ways also. The Company's steady progress during the past decade is indicated in the statistical summary presented on pages 18 and 19.

Sales for the latest fiscal year exceeded the quarter billion dollar mark, which is a far cry from the \$13,760,890 annual sales volume of fifteen years ago. The number of Food Fair supermarkets in operation rose above 150. Other notable gains were registered, too, including a substantial increase in the ranks of Food Fair employees, in job opportunities and in wages.

In the Company's financial statements for the year is reflected also one of the inherent disadvantages of growth. For instance, growth involves keeping a part of the investment tied up in temporarily unproductive facilities. The broader the expansion, the greater the investment so leashed. Many uncompleted Food Fair supermarkets contributed no income in the latest fiscal year, still others operated for only a portion of the year, and on a low profit basis representative of new units. Since assets are reported as of the end of the year whether or not they

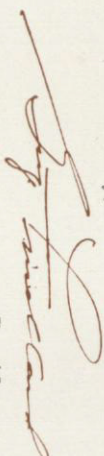
produce normal income, the comparison between the year's earnings and the Company's year-end investments is the less favorable when growth is rapid. This factor, together with other restrictive factors cited in this report, is evidenced in Food Fair's net returns for the latest fiscal year.

Food Fair continues to forge ahead in its new fiscal year. Sales for the eight weeks ended June 21, 1952, were 23.3% in excess of the volume of business for the corresponding eight weeks of 1951. Further gains have been made in recent weeks, and the annual rate of sales currently exceeds \$283,000,000.

Various factors warrant the conclusion that a high level of sales will be experienced in the period ahead. Principal among these factors are: abundant food supplies; continued growth of population; further development of new residential communities in suburban areas; a high level of industrial employment and personal income; indicated unwillingness of consumers to sacrifice dietary standards; and the unchecked expansion of the Food Fair organization in its territory extending from New York to Florida.

Even more significant than these factors as a portent of continued growth of the Company is the undiminished industry of the thousands of men and women who comprise the Food Fair employee family.

Sincerely,



President.

July 18, 1952

Review of Operations

Retail Trade Conditions

Contrasting movements featured the retail trade as a whole in 1951, as in years immediately preceding. Sales experience for the various types of retail stores was distinguished by its lack of uniformity. For still another year, the retail food field was characterized by stability and progress which stood out in contrast from the volatility evidenced in other retail markets.

National retail sales for the year, according to statistics compiled by the United States Department of Commerce, amounted to approximately \$150,000,000. This is 4.8% above the indicated volume of \$143,689,000,000 for 1950. Since average prices at the retail level were approximately 9% above the previous year's, the 1951 physical volume of all goods sold through retail channels declined.

Only for food did the consumer last year maintain real purchases. Expenditures for food remained strong and steady throughout the year. Quantity purchases were maintained despite higher prices. Retail food sales for the year totaled approximately \$37,000,000,000. This is the highest volume on record. It is 12.73% above the previous record high volume of \$32,768,000,000 achieved in 1950. In fact, food sales increased relative to disposable income. The circumstances indicate the unwillingness of consumers under inflationary pressures to sacrifice dietary standards. This is a significant commentary on national well-being.

Food Fair Sales

In the fiscal year ended April 26, 1952, Food Fair Stores, Inc., again rendered greater service than in any previous year. The Company rose two places

among the Nation's 20 biggest retailers. More Food Fair supermarkets served more families in more communities than at any previous time. By virtue of unprecedented growth, the Company increased its share of the retail food dollar, thereby strengthening its position as seventh largest organization among the country's retail food chains.

Sales of \$259,590,810 were rung up at checkout booths in Food Fair supermarkets during the fiscal year. Far and away the largest in the Company's history, this volume represents an increase of \$53,947,170, or 26.4%, over the previous record high sales of \$205,643,640 attained in the preceding fiscal year. Aided by newer units, average retail sales per store were \$1,719,140, calculated on the basis of the 151 supermarkets in operation on April 26, 1952. Thus, the Company, which operates supermarkets exclusively, maintained comfortably its leading position among the top retail food distributors from the standpoint of per store sales.

Earnings

Earnings throughout the retail food business have been squeezed during the past year or more between rising operating costs and food ceiling prices which are arbitrarily fixed by the Office of Price Stabilization. Another restrictive factor for your Company have been extraordinary costs involved in the launching of many new supermarkets. As a consequence, and notwithstanding substantially increased sales, Food Fair's earnings after all charges but before Federal and state income taxes in the latest fiscal year were \$8,688,705. On the lower volume of business in the preceding fiscal year, pre-tax earnings were \$9,817,112.

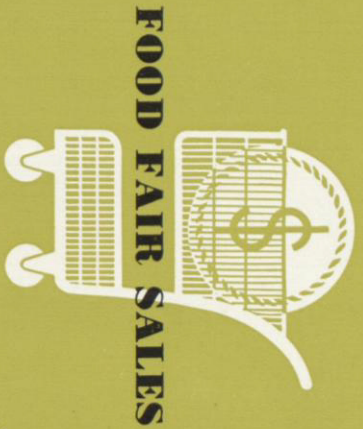
Like other growing companies whose earnings were moderate in tax base years, Food Fair has been penalized by the excess profits tax. Taken in conjunction with restricted profit margins and with the general increase in the Federal income tax rate, this factor caused in the latest fiscal year a profits experience contrary to sales results. The Company's net income for the year after all charges and taxes, including excess profits taxes of \$227,241, was \$3,885,280. This is equal, after preferred dividend requirements, to \$1.62 per share on 2,193,898 shares of common stock outstanding on April 26, 1952. From the year's earnings was deducted for contributions approximately the 5% of earnings before Federal taxes which, under prevailing provisions of the tax laws, is a deductible expense.

Net income of \$4,709,889 was earned after all charges and taxes in the fiscal year ended April 28, 1951. The largest in the Company's history, this profit represented \$2.08 per share on the same common share basis. Last year's net income per dollar of sales was 1.50 cents, compared with 2.29 cents in 1950-51.

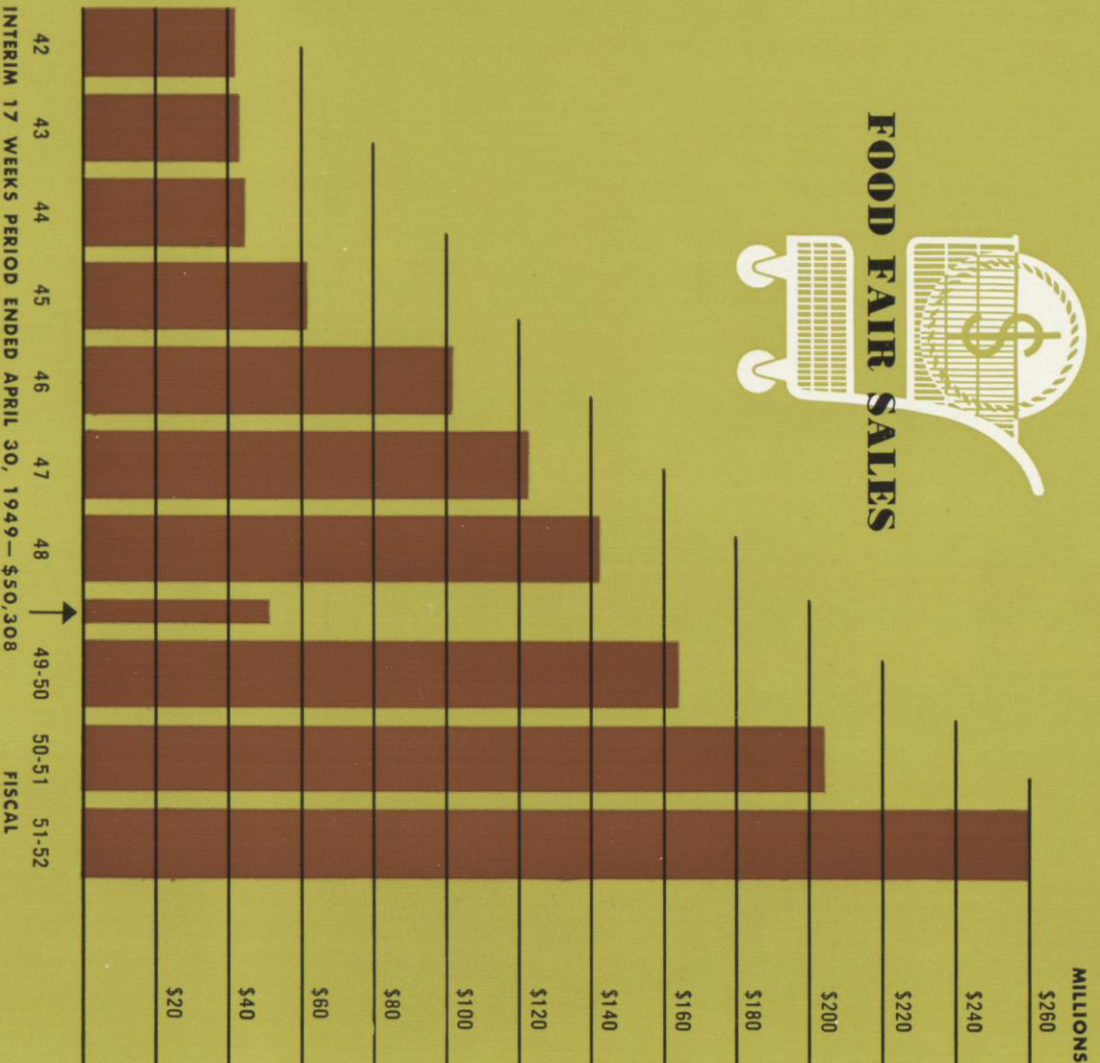
Dividends

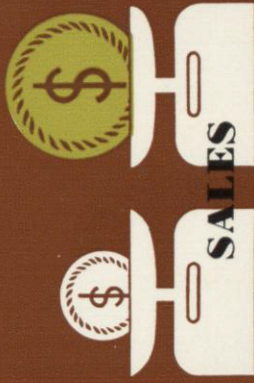
Regular quarterly dividends of 20 cents per share were paid on July 2, September 15 and December 15, 1951, and on March 15, 1952, on the Company's common stock during the fiscal year ended April 26, 1952. The annual dividend rate of 80 cents per share has been in effect since June, 1950, prior to which payments were made at the annual rate of 60 cents per share. On August 30, 1951, a supplementary 3% stock dividend was paid.

Quarterly dividend payments of \$1.05 per share

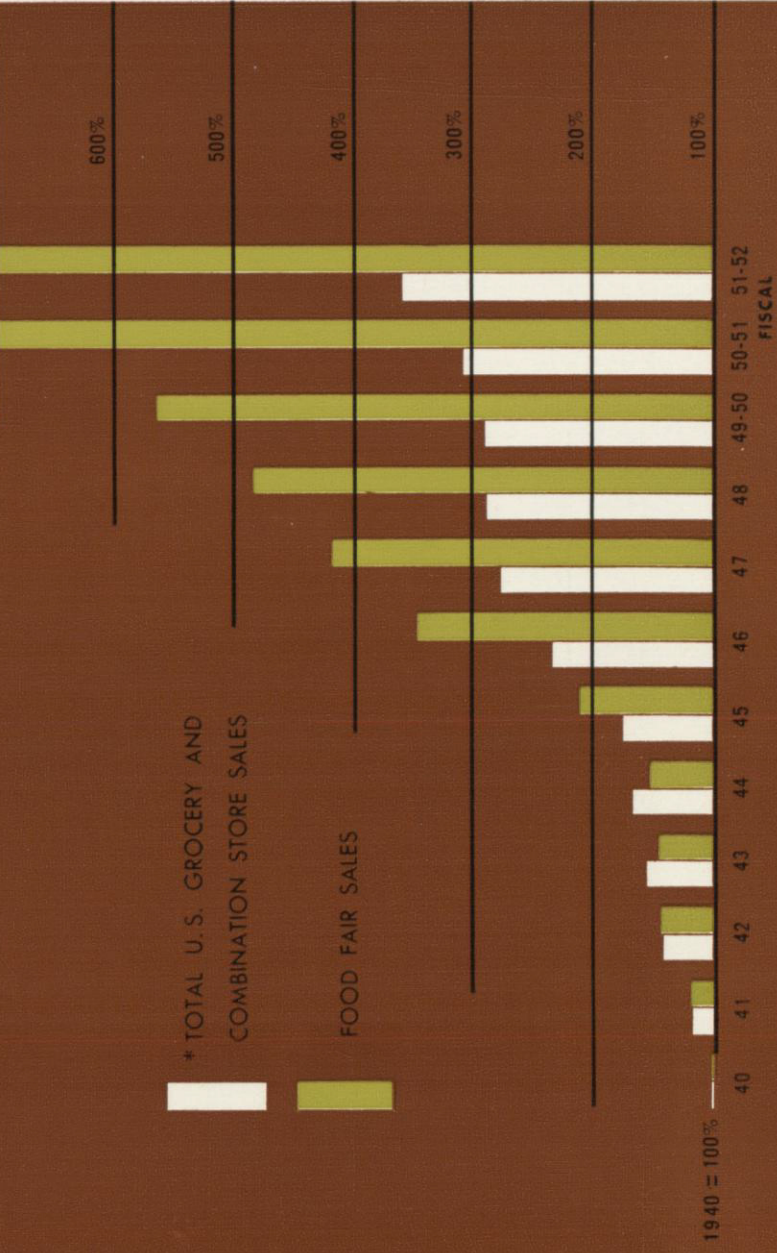


FOOD FAIR SALES





rate of increase over 1940



were made on the \$4.20 cumulative preferred stock on July 2 and October 1, 1951, and on January 2 and April 1, 1952. Total cash dividend payments on the preferred and common stocks were \$2,076,823, leaving \$1,808,457 of the year's earnings for re-investment in the business.

On May 20, 1952, a 3% stock dividend was declared on the common stock, together with the regular quarterly cash dividends on the \$4.20 cumulative preferred and the common stocks. The stock dividend is payable on August 27, to stockholders of record at the close of business on July 16, 1952. As in the case of similar dividends paid in recent years, the stock dividend is designed to furnish shareholders participation in earnings and also to conserve liquid resources to help finance expansion of the business.

The regular cash dividends on the \$4.20 cumulative preferred and the common stocks were declared payable July 1 to stockholders of record at the close of business on June 6, 1952. July 1, instead of mid-June, was established as the payable date of the dividend on the common stock for the purpose of effecting a tax saving. Under prevailing provisions of the Federal Excess Profits Tax law, any dividend paid by your Company within sixty days after the close of the fiscal year would decrease the Company's excess profits tax credit.

Operating Costs

The Company's operating expenses for the fiscal year ended April 26, 1952, were slightly larger, relative to sales, than in the preceding year. All costs increased, but the relatively larger increase in operating expenses than in sales for the full year resulted chiefly from the extraordinary expenses

involved in opening a record large number of units. The relationship of operating expenses to sales improves as individual supermarkets become well established in their respective communities.

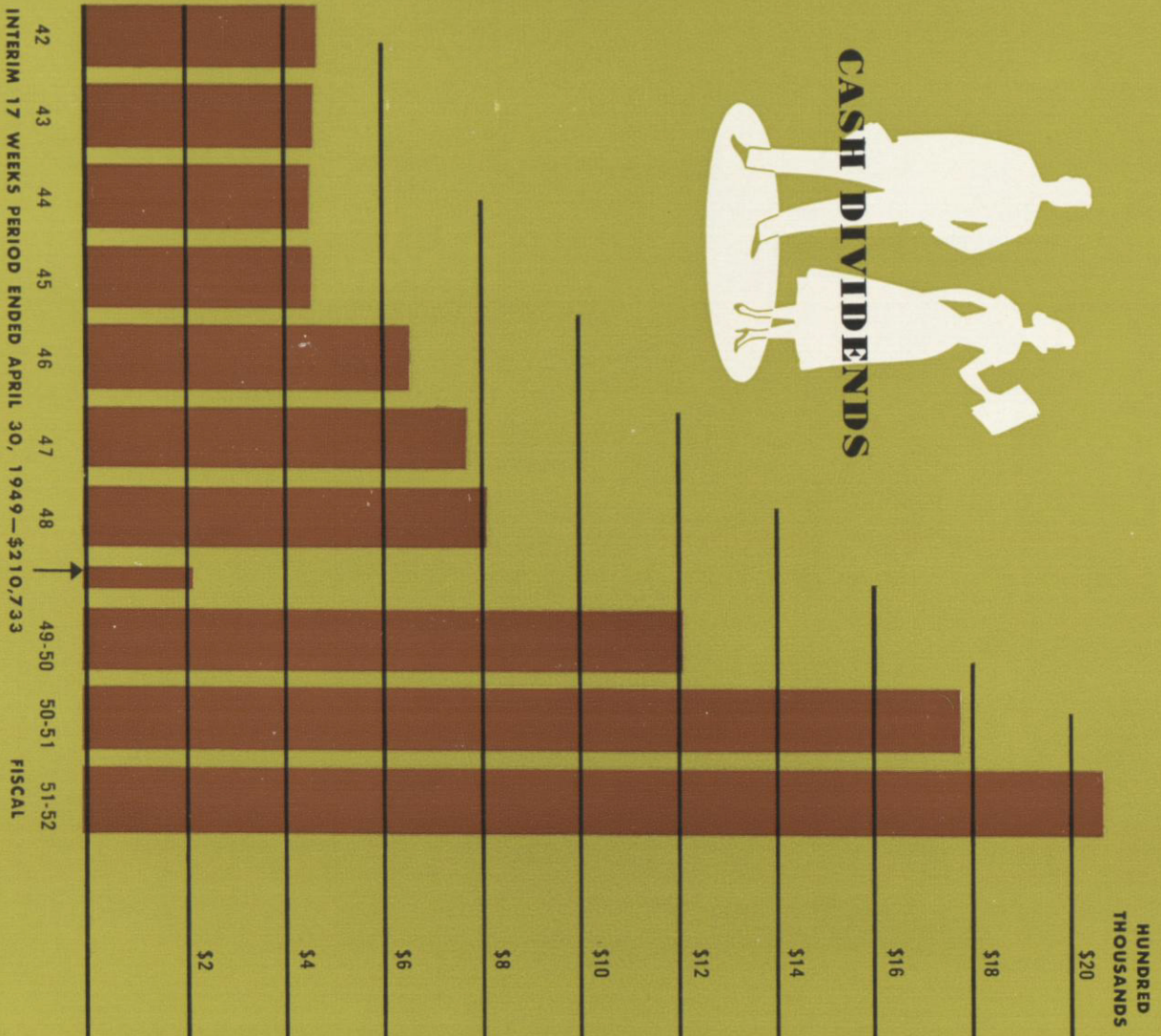
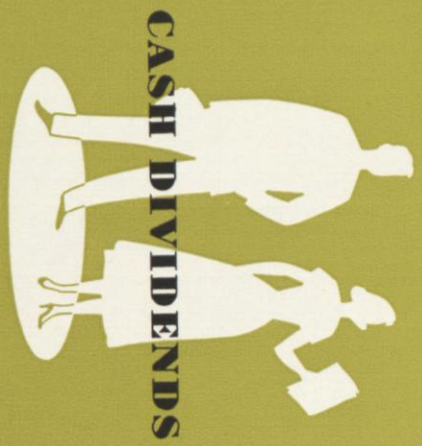
Taxes

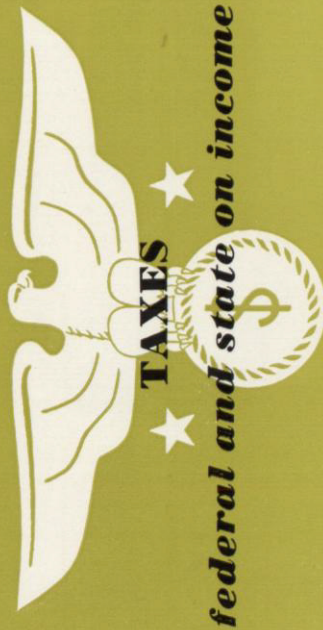
The impact of Federal taxes on income of growing companies whose earnings in tax base years were moderate is manifest in the slight reduction experienced last year in Food Fair's earnings before Federal income taxes, compared with the substantial decline in net income after all charges and taxes. The Company's provision for Federal and state taxes on income for the year amounted to \$4,803,425, which is 23.6% in excess of the net income for the year. It represents \$31,811 per Food Fair supermarket in operation on April 26, 1952, or \$483 for each regular employee of the Company, or \$2.19 per share of common stock.

Foundation

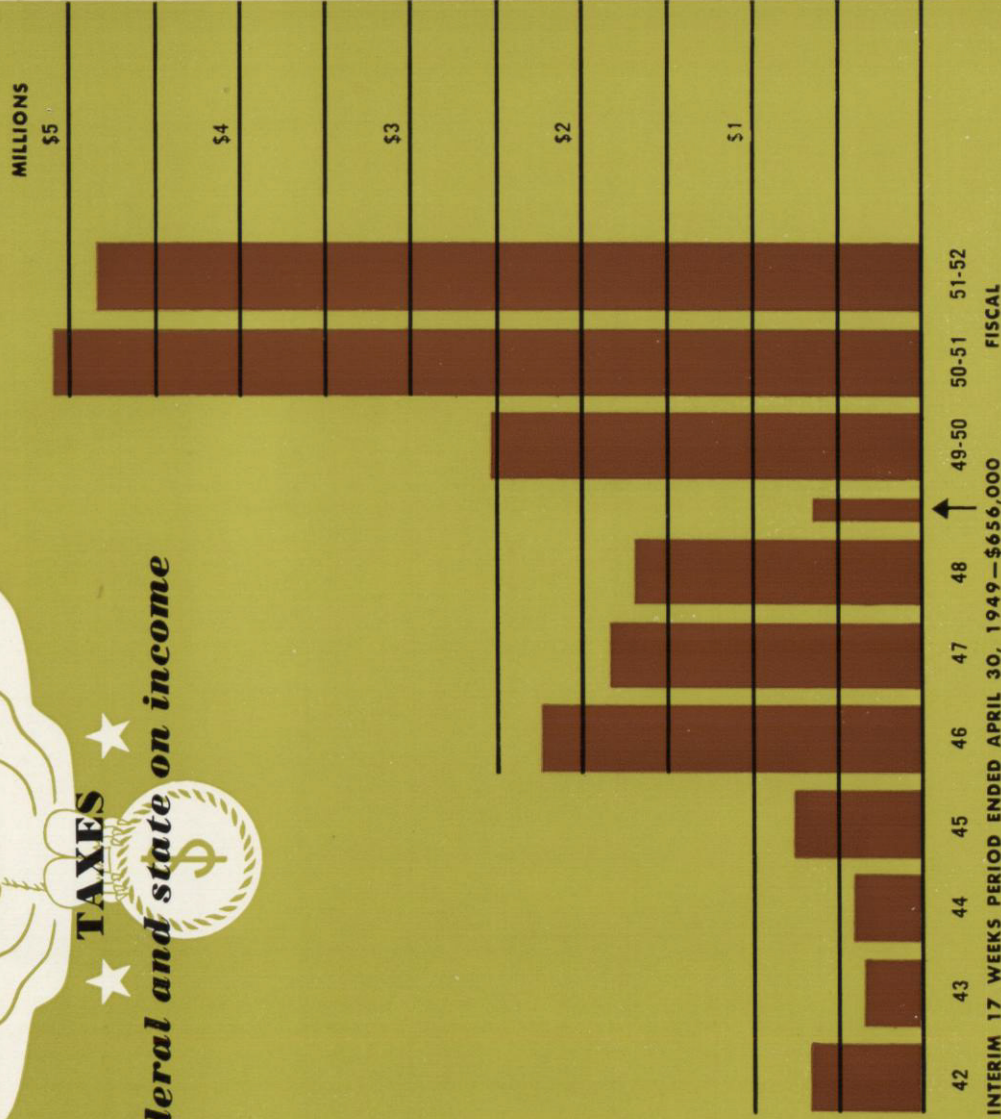
Individual incomes which are a traditional source of support for philanthropic work have become, under the impact of constantly increasing taxes, more and more inadequate for such a purpose. Consequently, if the needs of charitable and educational institutions are to be met and if our free society is to remain intact, a larger share of business income must be diverted to this critical use.

In recognition of its essential character as an institution devoted to public service, Food Fair Stores, Inc., has had incorporated under the laws of the Commonwealth of Pennsylvania, The Food Fair Stores Foundation, which is organized on a non-





TAXES
federal and state on income



stock basis, with perpetual existence. The purpose of the Foundation, as expressed in the charter, is "to provide financial assistance to needy and deserving persons for their support, maintenance, education and welfare, and to make contributions to charitable organizations and to organizations engaged, in whole or in part, in charitable activities." It is proposed that funds shall be applied, among other things, to scientific research and to the establishment of scholarships for children of Company employees and others.

The Foundation is entirely dependent upon contributions from Food Fair Stores, Inc., and its subsidiaries which presently propose to donate to it each year as a contribution not in excess of that portion of the Company's earnings for the year as is allowable as a deductible expense under provisions of the Internal Revenue Code.

Incorporators and initial directors of the Foundation are the following officers and directors of Food Fair Stores, Inc.: Samuel Friedland, Chairman; George Friedland, President; Myer B. Marcus, Executive Vice-President; Louis Stein, Vice-President and General Counsel; Arthur Rosenberg, Vice-President. Samuel Friedland was elected President of the Foundation; George Friedland, Vice-President; Louis Stein, Treasurer; and Myer M. Gordon, Secretary.

Working Capital

Current assets on April 26, 1952, amounted to \$27,002,320. Current liabilities were \$12,725,919. Working capital was \$14,276,401, compared with \$17,210,264 the year before. Cash totaled \$11,143,522 against \$9,560,245 on April 28, 1951. Inven-

tores, taken at the lower of cost or market value, stood at \$14,664,235 compared with \$14,070,286 the year before. The moderate decline in working capital during the year reflects in part the large investment in new properties.

Unprecedented Growth

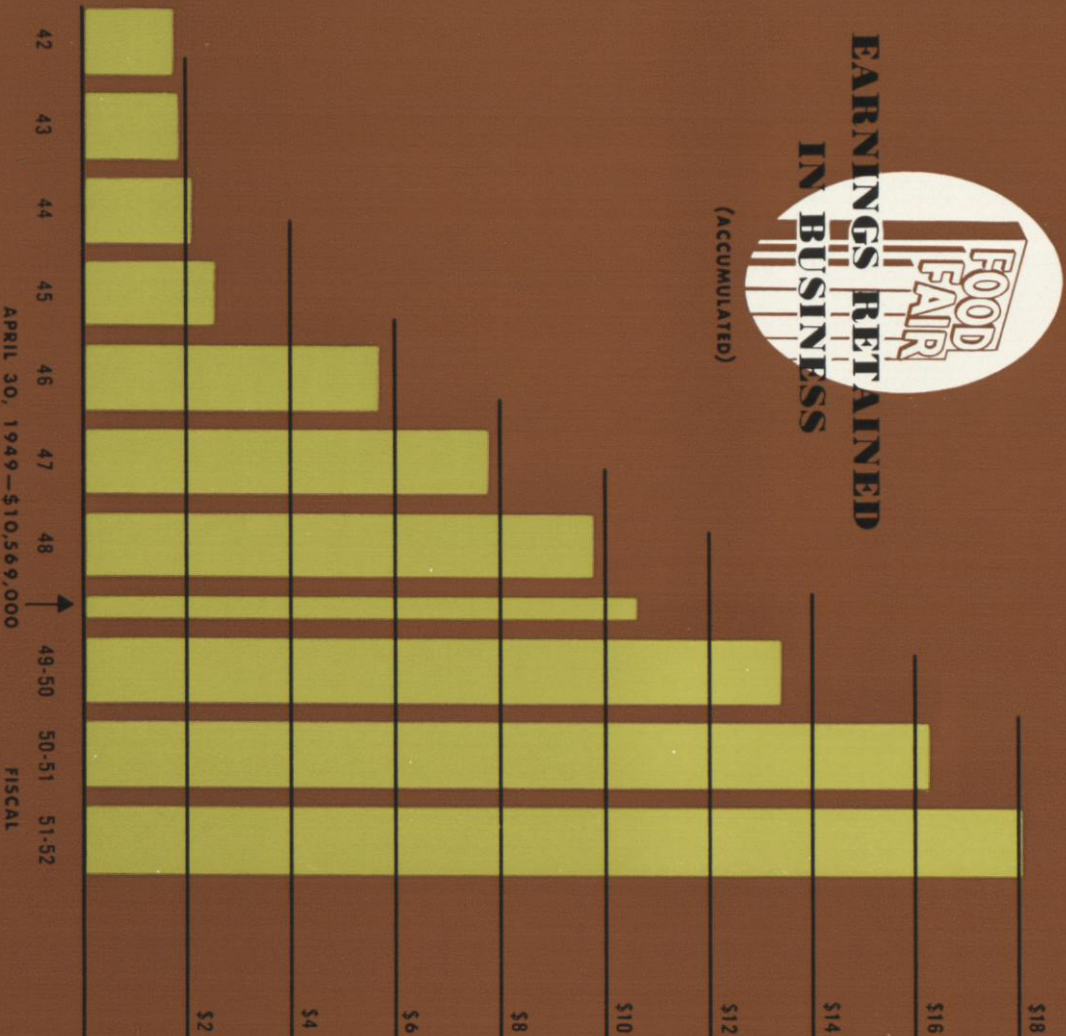
In line with plans previously formulated, the pace of Food Fair's long-range expansion program was considerably accelerated in the latest fiscal year which was far and away the most important in the Company's history from the standpoint of growth. Thirty supermarkets were opened; nine in New York, six in New Jersey, six in Pennsylvania, four in Maryland, four in Florida, and one in Delaware. The new units, among the largest in the Food Fair chain, embody the most modern facilities, which insure efficient operation and the utmost in shopping comfort. Two smaller volume markets were closed during the year. As of April 26, 1952, the chain comprised 151 retail outlets.

One of the most significant steps in Food Fair's expansion during the year was the Company's entry into the Boroughs of Manhattan and the Bronx, New York. On August 7, 1951, a supermarket was opened in the Port of New York Authority Bus Terminal Building in Manhattan, and another was opened in the Parkchester section of the Bronx. In connection with these openings, the Company's promotional program was intensified.

New branch executive offices were opened in Baltimore, Md., during the year, and a central buying office for carload purchases of fruits and vegetables was established at the Company's general offices in Philadelphia, Pa.

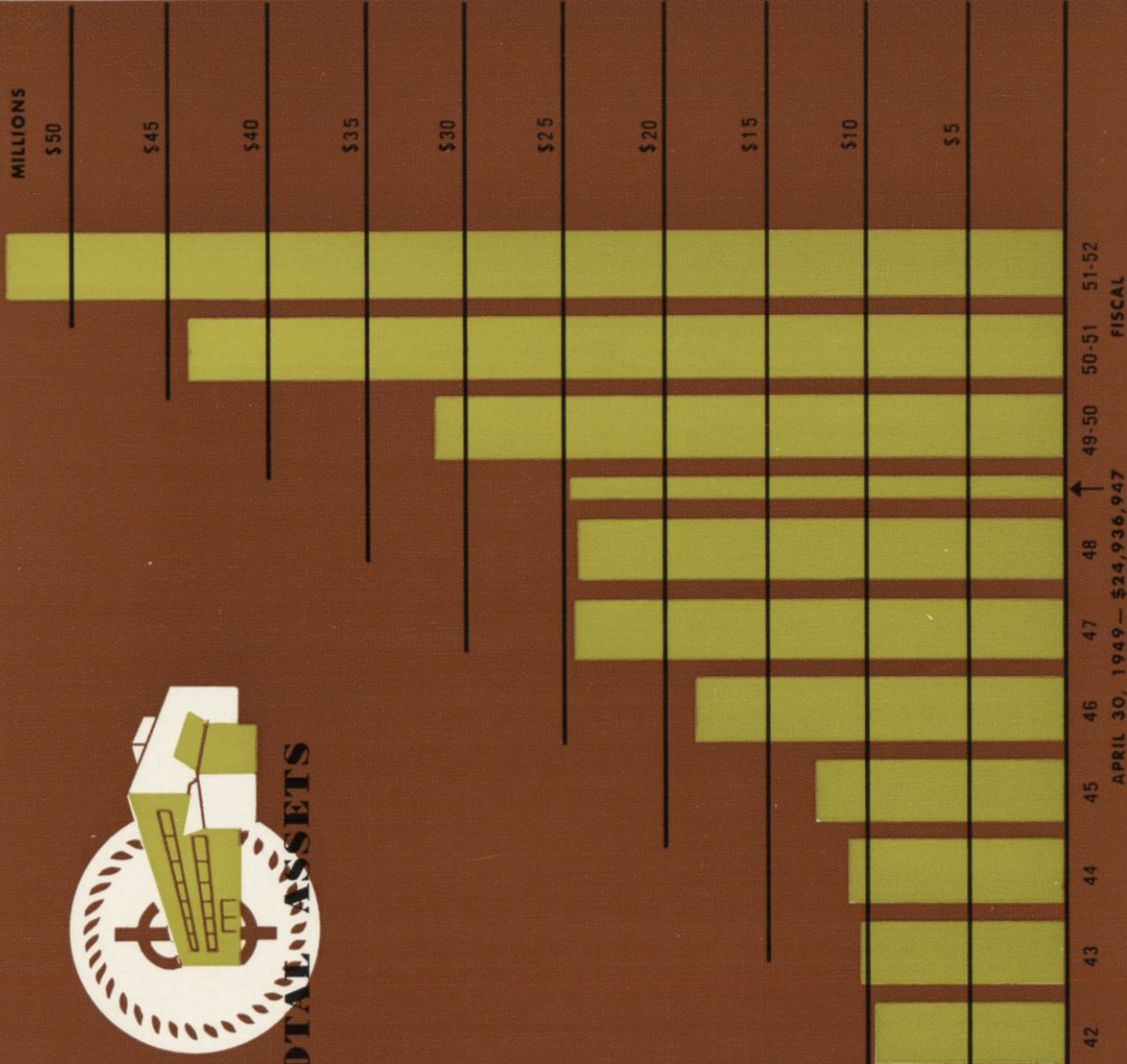
EARNINGS RETAINED IN BUSINESS

(ACCUMULATED)





TOTAL ASSETS



Food Fair shopping facilities continue to be provided for various communities. A supermarket was opened in Claymont, Del., on June 18, 1952. Seven supermarkets now are under construction, and blueprints are being drawn for several others. Construction of a Baltimore warehouse was started June, 1952. Produce and grocery warehouse facilities will be built on a site comprising sixteen acres of land which was acquired in Miami, Florida, in April, 1952.

Research

During the year under review, research along organized lines continued as an important Company activity. As previously, regular lines of inquiry, such as sales and expense control analysis, consumer surveys, trading area analysis and locations research occupied the research staff's primary attention. In addition, considerable time was necessarily devoted to analyzing and interpreting the scores of applicable price regulations and amendments issued by the Office of Price Stabilization. Periodically, studies were carried out to evaluate the effects of the various price regulations. Also, the Research Department has been serving as a clearing house and co-ordinating center for compilation of data requested by OPS and by trade associations in numerous margin and price surveys during the past year.

Despite the unusually heavy load of OPS and related activity, the Research Department throughout the year continued to serve its primary function as a specialized fact-finding and analytical arm of operating management. In January of 1952, the Department was combined with the Operations section of the Store Operations Department into a Store

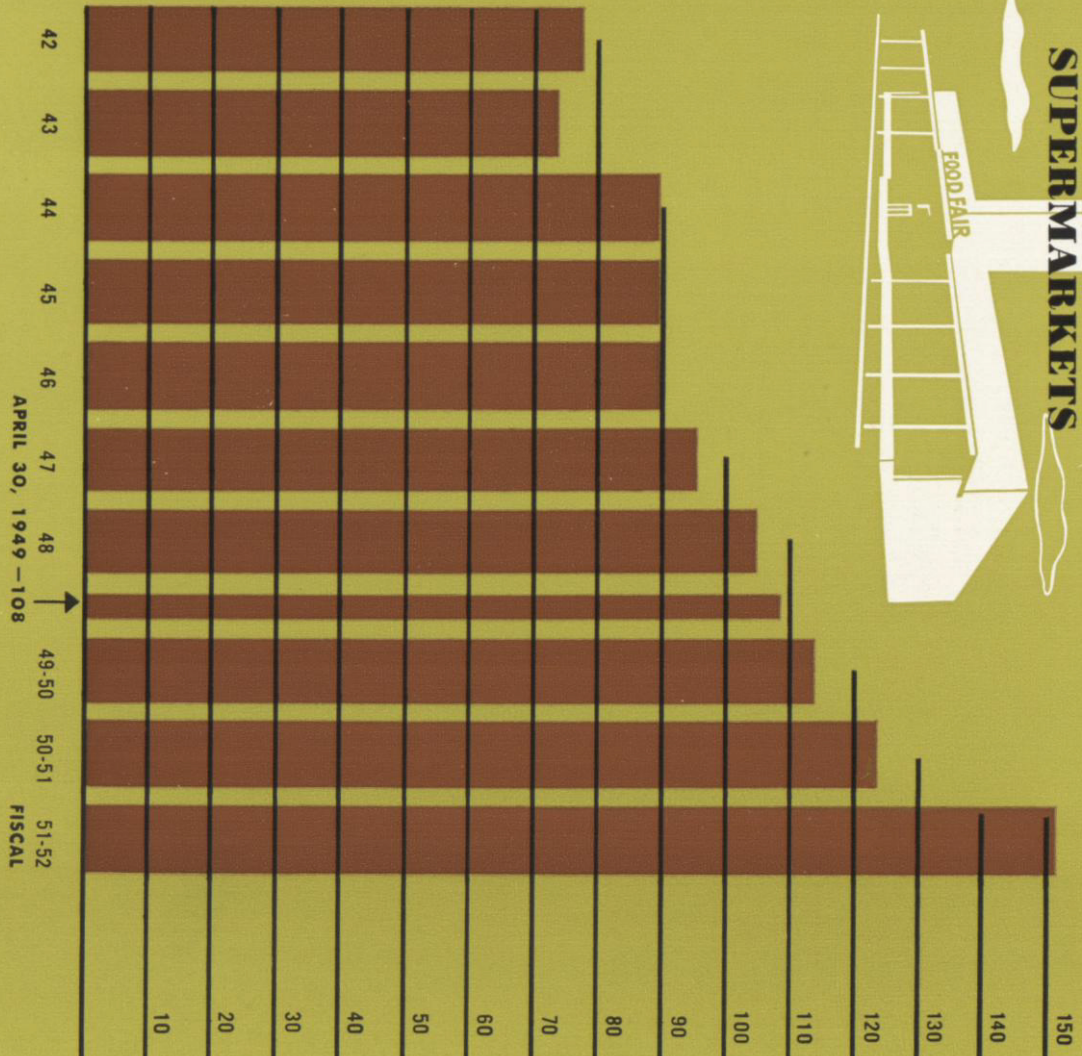
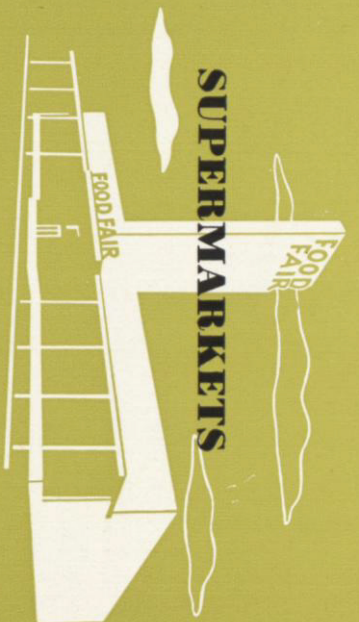
Control and Research Division of Store Operations. This division has as one of its primary responsibilities the task of providing a more extensive flow of analytical tools and aids to operating personnel. Its function relates to the administration of Store Operations detail and include operating analysis and control, general research, and statistical studies.

Capitalization

Funded obligations due after one year amounted to \$4,391,746 for mortgages and \$7,850,000 of 3% debentures due January 1, 1965.

Capital stock at the close of the fiscal year comprised 78,740 shares of \$4.20 cumulative preferred stock and 2,193,898 shares of common stock. The number of shares of \$4.20 cumulative preferred stock was reduced during the year by 1,260 shares through sinking fund operations. The number of shares of common stock was increased by 63,883 83/100 shares by the payment of a 3% stock dividend.

At the meeting on May 20, 1952, the Board of Directors of your Company voted to recommend to shareholders an increase in the authorized indebtedness of the Company from \$12,000,000 to \$25,000,000, and an increase in the number of authorized shares of common stock from 2,500,000 to 5,000,000 shares. No immediate issuance of either debt securities or of common stock is contemplated, the increase in authorized debt and stock being designed simply to pave the way for possible future financing incident to further expansion of the business.



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LEWISTOWN

Officers and Directors
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc., and its wholly owned subsidiary companies at April 26, 1952, and the consolidated statements of earnings and surplus for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of financial condition and related consolidated statements of earnings and surplus present fairly the consolidated position of the companies at April 26, 1952, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lawrence H. Krekstein & Co.

LAVENTHOL, KREKSTEIN & CO.

Philadelphia, Pa.
July 1, 1952

Food Fair Stores, Inc.

and subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

For the Year (52 Weeks) Ended

	April 26, 1952	April 28, 1951
Sales	\$259,590,810	\$205,643,640
Cost of sales.....	216,410,152	169,905,181
Gross profit from sales.....	\$ 43,180,658	\$ 35,738,459
Operating expenses	34,309,762	25,888,299
Profit from operations.....	\$ 8,870,896	\$ 9,850,160
Other income	291,606	282,431
Profit before interest expense.....	\$ 9,162,502	\$ 10,132,591
Interest expense	473,797	315,479
Net income before Federal and State taxes on income.....	\$ 8,688,705	\$ 9,817,112
Federal and State taxes on income:.....		
Federal income tax.....	\$ 4,389,968	\$ 4,068,032
Federal excess profits tax.....	227,241	839,967
State income taxes.....	186,216	199,224
Total Federal and State taxes on income.....	\$ 4,803,425	\$ 5,107,223
Net income	\$ 3,885,280	\$ 4,709,889

NOTES TO FINANCIAL STATEMENTS

The following notes are applicable to the Financial Statements as at April 26, 1952. Reference is made to previously issued report for the notes applicable to the statements as at April 28, 1951.

NOTE 1—These debentures are subject to repayment through sinking fund operations beginning January 1, 1953, and on each interest payment date thereafter in the following principal amounts: to and including July 1, 1956, \$150,000; thereafter, to and including July 1, 1960, \$225,000; thereafter, to and including July 1, 1964, \$300,000.

The indenture contains restrictions as to the payment of cash dividends and the redemption of shares of stock of the Corporation. However, all of the earned surplus at April 26, 1952, was free of such restrictions.

NOTE 2—Preferred stock is \$4.20 cumulative, \$15 par value; 145,000 shares are authorized, of which 80,000 shares were issued and 78,740 shares are outstanding.

The Corporation is obligated to set aside \$120,000 semi-annually as a sinking fund for the redemption of the preferred stock which may be called for this purpose at \$100 per share plus accrued dividends. In addition, the Corporation may, at its option, call for redemption all or any part of the preferred stock at a maximum price of \$103 per share plus accrued dividends. Holders of this stock are entitled to preference in involuntary liquidation of \$100 per share.

Under the terms of the issuance of the preferred stock, earned surplus of \$4,393,642.90 is restricted at April 26, 1952, as to the payment of cash dividends on common stock.

NOTE 3—Common stock is \$1 par value; 2,500,000 shares are authorized, of which 2,193,898 23/100 shares (including scrip certificates) are issued and outstanding.

On May 20, 1952, the Board of Directors declared a common stock dividend of 3% payable in common stock

on August 27, 1952, to stockholders of record on July 16, 1952. Pursuant thereto, there has been reserved for issuance 65,816 94/100 shares (including scrip certificates) of common stock. For each share so issued, there will be transferred from earned surplus to capital stock common, the sum of \$1 and to capital surplus the sum of \$19. This will result in a change of \$1,316,338.80 to earned surplus and credits of \$65,816.94 and \$1,250,521.86 to capital stock common and capital surplus, respectively.

NOTE 4—On April 28, 1952, the Corporation received \$5,000,000 from a group of its principal banks, in exchange for its 3% unsecured six-month notes.

NOTE 5—Costs and expenses include depreciation and amortization of \$1,507,210 and \$1,118,413 for the years ending in 1952 and 1951, respectively.

Food Fair

STORES, INC.

*and subsidiary
companies*

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	April 26, 1952	April 28, 1951
CURRENT ASSETS		
Cash	\$11,143,522	\$ 9,560,245
Accounts receivable	767,087	506,399
Inventories of merchandise and supplies at lower of cost or market ..	14,664,235	14,070,286
Federal and State income tax refunds receivable		65,394
Prepaid insurance, rent and taxes	427,476	358,616
	<u>\$27,002,320</u>	<u>\$24,560,940</u>
LESS: CURRENT LIABILITIES		
Accounts payable	\$ 4,847,783	\$ 3,729,276
Accrued salaries and expenses	2,706,309	1,510,763
Debtenture sinking fund installment payable (<i>Note 1</i>)	150,000	
Federal and State income taxes payable, less United States Treasury Notes—1952, \$1,721,192; 1951, \$3,007,200	5,021,827	2,110,637
	<u>\$12,725,919</u>	<u>\$ 7,350,676</u>
WORKING CAPITAL	\$14,276,401	\$17,210,264
OTHER ASSETS		
Investments, at cost	590,191	214,205
Land, at cost	4,676,360	4,273,086
Buildings and improvements, at cost, less allowance for depreciation—1952, \$2,547,707; 1951, \$2,002,064	12,084,575	7,653,393
Fixtures and equipment, at cost, less allowance for depreciation—1952, \$3,331,943; 1951, \$2,349,274	8,135,107	6,161,189
Miscellaneous other assets	888,077	1,026,782
	<u>\$40,650,711</u>	<u>\$36,538,919</u>
Deduct:		
Mortgages payable, due after one year	\$ 4,391,746	\$ 1,836,936
Fifteen-year sinking fund debentures, 3%, due January 1, 1965 (<i>Note 1</i>)	7,850,000	8,000,000
	<u>\$12,241,746</u>	<u>\$ 9,836,936</u>
	\$28,408,965	\$26,701,983
NET ASSETS		
DERIVED FROM		
Capital Stock:		
Preferred (<i>Note 2</i>)	\$ 7,874,000	\$ 8,000,000
Common (<i>Note 3</i>)	2,193,898	2,130,014
Surplus:		
Capital surplus	7,718,689	6,608,139
Earned surplus	10,622,378	9,963,830
	<u>\$28,408,965</u>	<u>\$26,701,983</u>

CONSOLIDATED STATEMENTS OF SURPLUS For the Year (52 Weeks) Ended April 26, 1952

Capital Surplus

ADDITIONS	CAPITAL SURPLUS—APRIL 28, 1951.....	\$ 6,608,139
	Excess over amount assignable to capital stock of 63,883 83/100 shares of common stock issued as a stock dividend August 30, 1951.....	\$1,086,025
	Excess of stated value of 1,260 shares of cumulative preferred stock redeemed over cost thereof.....	2,770
	Excess of book value of capital stock of wholly owned subsidiary over cost of acquisition to Food Fair Stores, Inc.....	21,755
	<u>1,110,550</u>

CAPITAL SURPLUS
APRIL 26, 1952

.....	<u><u>\$ 7,718,689</u></u>
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Earned Surplus

ADDITION	EARNED SURPLUS—APRIL 28, 1951.....	\$ 9,963,830
	Net income for the year (52 weeks) ended April 26, 1952.....	3,885,280
	Total	<u>\$13,849,110</u>

DEDUCTIONS	Dividends paid:	
	In stock:	
	63,883 83/100 shares of common stock.....	\$1,149,909

	In cash:	
	Preferred stock, \$4.20 per share.....	\$ 335,858
	Common stock, \$.80 per share.....	<u>1,740,965</u>
		<u>2,076,823</u>

EARNED SURPLUS
APRIL 26, 1952

.....	<u><u>\$10,622,378</u></u>
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FOOD FAIR STORES, INC.

and subsidiary companies

Ten Year

Statistical Summary

YEAR ENDED	NUMBER OF STORES AT END OF YEAR	SALES (000 OMITTED)	NET INCOME BEFORE TAXES ON INCOME
APRIL 26, 1952	151	\$259,591	\$8,688,705
APRIL 28, 1951	123	205,643	9,817,112
APRIL 29, 1950	113	164,626	6,552,021
APRIL 30, 1949	108	50,308	1,694,192
Interim 17-week period			
★DECEMBER 31, 1948	105	142,036	4,459,220
DECEMBER 27, 1947	95	121,765	4,719,905
DECEMBER 28, 1946	89	101,198	6,054,653
DECEMBER 29, 1945	89	60,565	1,662,683
DECEMBER 30, 1944	89	44,832	1,019,649
★DECEMBER 31, 1943	73	42,189	900,078
DECEMBER 26, 1942	77	41,746	1,270,029

★ 53 weeks

FEDERAL AND STATE INCOME TAXES	NET INCOME	CASH DIVIDENDS	EARNINGS RETAINED	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	TOTAL ASSETS	NET WORTH
\$4,803,425	\$3,885,280	\$2,076,823	\$1,808,457	\$27,002,320	\$12,725,919	\$14,276,401	\$53,376,631	\$28,408,965
5,107,223	4,709,889	1,779,490	2,930,399	24,560,940	7,350,676	17,210,264	43,889,595	26,701,983
2,529,243	4,022,778	1,214,214	2,808,564	19,376,166	4,310,351	15,065,815	31,394,570	17,756,622
656,039	1,038,153	210,733	827,420	14,998,514	5,449,541	9,548,973	24,936,947	14,701,205
1,673,927	2,785,293	807,233	1,978,060	15,588,968	5,017,396	10,571,572	24,240,303	13,879,221
1,832,848	2,887,057	770,181	2,116,876	16,714,955	4,143,192	12,571,763	24,552,310	11,972,228
2,239,503	3,815,150	666,309	3,148,841	13,372,303	5,281,634	8,090,669	18,563,068	10,106,847
737,173	925,510	458,379	467,131	9,478,223	2,421,252	7,056,971	12,418,127	6,661,509
394,956	624,693	457,984	166,709	7,476,129	1,744,982	5,731,147	10,784,600	5,570,117
311,493	588,585	460,422	128,163	6,984,027	2,784,836	4,199,191	10,006,083	5,444,147
642,993	627,036	462,990	164,046	6,757,406	2,442,225	4,315,181	9,868,602	5,406,527

Shareholders

Samuel Friedland, Chairman of the Board of Directors, reports on Food Fair Stores, Inc., as a public institution for personal investment.

The American capitalist has been depicted in cartoon by a bloated banker sitting atop his money bags, exacting his pound of flesh from employee and customer alike. How little the reality of the modern corporation corresponds with the caricature is revealed in the average corporation's list of stockholders.

Shareholders of Food Fair Stores, Inc., numbered approximately 6,500 on April 26, 1952. There were 5,960 registered owners of the Company's common stock and 444 holders of the \$4.20 cumulative preferred stock. The holders of common stock, by major classifications, comprised the following: men, 46.74%; women, 32.50%; joint accounts, 15.37%; fiduciaries, 1.66%; institutions and foundations, 0.13%; security dealers, 2.44%; nominees, 0.65%; pension funds and others, 0.65%. The holders of

\$4.20 cumulative preferred stock, by major classifications, comprised the following: women, 32.88%; men, 16.11%; fiduciaries, 15.31%; joint accounts, 11.03%; institutions and foundations, 6.08%; security dealers, 6.53%; pension funds and others, 11.71%.

Of the total number of registered holders of the common stock, 51.92% owned from one to 99 shares; 44.63% owned from 100 to 999 shares; and 3.45% owned more than 999 shares. In the case of the \$4.20 cumulative preferred stock, 77.25% of the owners held from one to 99 shares; 17.79% held 100 to 999 shares; and 4.96% held more than 999 shares. The common stock was registered in the names of men and women and in other accounts in 46 of the 48 states of the Union, plus Canada and Hawaii.

Mr. Edwin Moore, whose tour of Food Fair properties is pictured in this report, is a representative shareholder. After graduating from Philadelphia's public schools, Mr. Moore attended Haverford School and Drexel Institute, where he majored in engineering. Father of two children and an ardent boatsman, he lives in the City of Brotherly Love's Penn Valley suburb. Salesman for a foremost material handling machinery organization, Mr. Moore years ago visited Food Fair's headquarters, was impressed by the Food Fair operation, and elected to purchase the Company's common stock.



In reports to shareholders of Food Fair Stores, Inc., an attempt is made to provide complete information. The Company's annual report in each of the past three fiscal years has been adjudged by a panel of experts to be the best in the grocery store chain field.

Employees

Louis Stein, Vice-President and General Counsel, discusses Food Fair's legal problems and employee relations.

Unstinting effort is made to make Food Fair a good place to work. Contracts were negotiated during the year ended April 26, 1952, with many local unions. At the close of the year, employees numbered 9,722, an increase of 1,704 during the year. Members of service clubs, who have been continuously associated with the Company for from five to twenty years or more, numbered 1,489 at the year-end, a gain of 401 for the year.

An athletic and recreation program is important among the Company's public relations functions. Organized softball leagues operate throughout the chain. Summer picnics or Christmas parties are financed by the Company. Bowling is the popular sport in winter months.

Cash awards were made during the year to many employees for suggestions on operating methods. Valuable awards were made also to Food Fair truck drivers, for safe driving records.

As many as 86,600 copies of *The Food Fair Star* were distributed to employees during the

fiscal year. Published by and for employees, the magazine to which employees in all stores contributed is issued ten times per year.

Plans were formulated during the year for the adoption of "Employee of the Year" awards. The employee who is adjudged to have made the greatest single contribution to the Company will be named the "Employee of the Year" and will be awarded as a prize a sum of money equal to his or her salary for the year. In addition to this award, 49 other awards, equal in each case to one month's pay, will be made to employees in ten different classifications.

The Food Fair management is engaged in a study of ways and means of affording employees an opportunity to purchase the Company's common stock and thus participate on a broader scale in the Company's growth.

At her Passaic, N. J., home, Evelyn Spath, age 11, is primped for her dance recital. Father Harry and sister Marjorie, age 8, lend mother a helping hand. Born in Manhattan and educated in New York City public schools, Mrs. Spath completed a three-year stint in social service, attending New York School of Social Research, after majoring in accounting at New York University. In meeting patrons and in handling payroll at Food Fair's Fair Lawn, N. J., supermarket, Mrs. Spath constantly calls upon her early training in accounting and social service. She has long been a Food Fair shareholder.

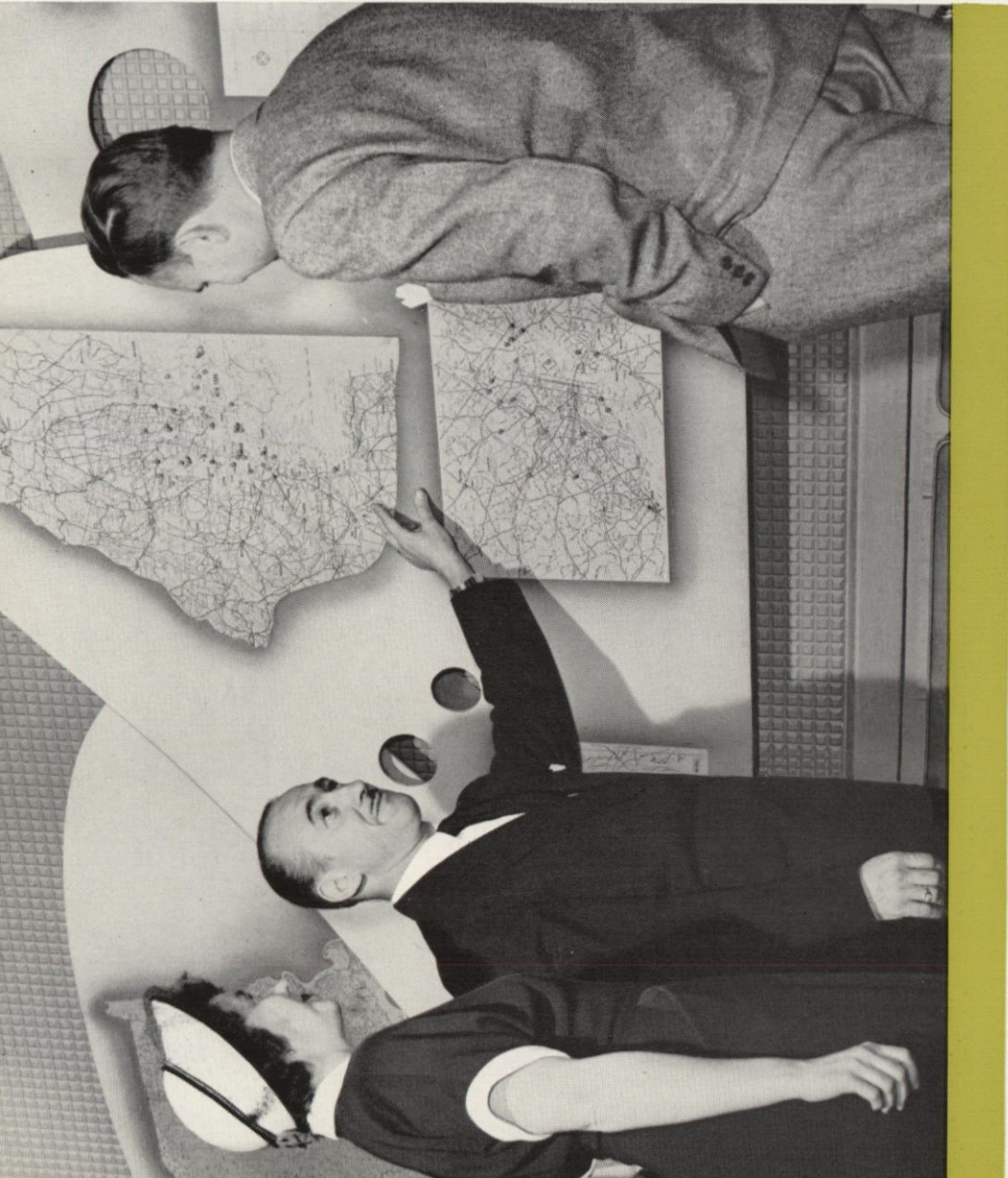


street in the right section of the right community, then it is the responsibility of the Store Operations Department to sell merchandise that won't come back, to the customer who will.

An infinite capacity for detail is required if the quality of fresh meats, luncheon meats, fruits, vegetables, dairy products, frozen foods, seafood, dry groceries, baked goods, candies and household items is to be insured and if the supermarket is to afford superior shopping comforts. These requisites involve problems of personnel, proper store equipment for display, efficient layout, proper warehousing as well as proper distribution from farm to warehouse, from warehouse to store and from store to home.

Highly departmentalized operation is necessary. Maintenance of the huge refrigeration plant and allied equipment in each supermarket calls for an expert engineering department. Each of the several service departments must be headed by an alert specialist fully informed on proper merchandising techniques. By the same token, department heads at the store level must be supervised by district, branch and general supervisors if proper co-ordination is to be attained.

In the final analysis, the essential function of the Store Operations Department is to create, operate and maintain that instrument for mass distribution that is the modern supermarket. Success calls for constant re-examination of all aspects of the operation. It involves continued study of methods for improved handling of materials and supplies within the supermarket. As growth introduces new problems and accentuates older ones, critical re-appraisal of the entire organizational structure must be undertaken in order to determine the relative advantages of centralization as against operating decentralization. The emphasis placed on the vitally important Store Operations segment of the business has accelerated Food Fair's rapid growth.



Myer B. Marcus, Executive Vice-President and Director of Store Operations, outlines Food Fair's sphere of activities.

Store Operations

Food supermarket operation is the fastest moving in retail distribution. So complex is the operation that it is impracticable to separate its various segments by sharp lines of demarcation. What is known as the Store Operations Department must work hand-in-hand with the Real Estate Department, the architect, the equipment manufacturer, the Employment Department, the Warehousing and Transportation Division and the customer who patronizes the market. Once the supermarket is located on the right side of the

Buying and Selling

The thousands of items stocked in the Food Fair supermarket are obtained from thousands of sources, including farmers, packers, processors, wholesalers, brokers and others. To select merchandise of the quality and in the quantities required by Food Fair, a whole corps of top buyers is necessary. These specialists in their respective fields must have a thorough knowledge of sources of supply, standards of quality, market trends and various other factors which govern prices. Cattle ranges, processing plants, warehouses, auctions and other sources must constantly be visited. Since purchase commitments often must be made many months in advance, careful planning is requisite.

Even the most skillfully purchased merchandise requires the most expert sales promotion techniques if rapid inventory turnover, which is the key to successful supermarket operation, is to be achieved. Food Fair's sales promotion activities encompass effective display of merchandise in the supermarket and the use of persuasive identification signs. They include also the annual use of thousands of newspaper page advertisements, as well as the employment of such other media as magazines, billboards, radio, television and door-to-door circulars.

Food Fair's current sales promotion literature is unusual in that it features the fact that Food Fair was selected by the United States Olympic Committee to provide all of the meat, meat products and poultry consumed by the American athletes during the 1952 games in Helsinki, Finland, between July 19 and August 3.

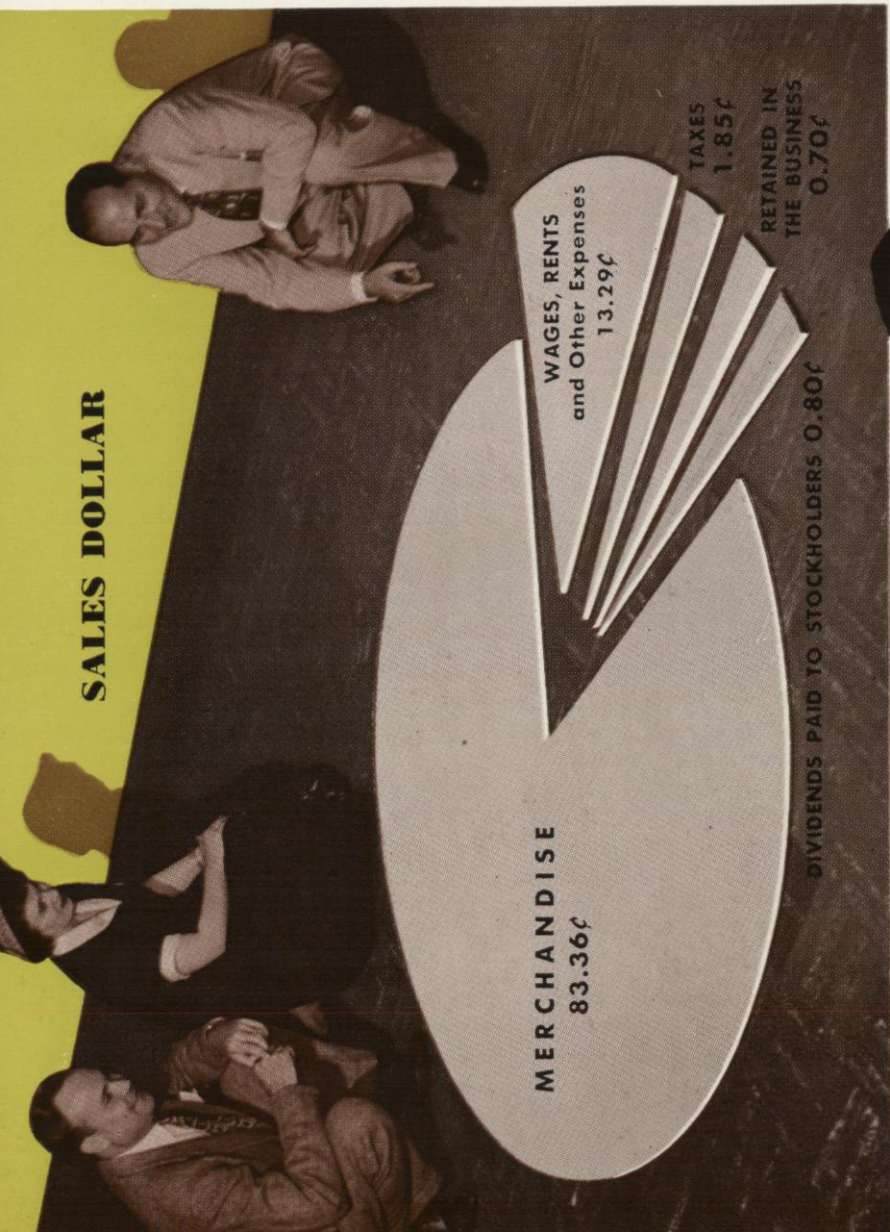


Arthur Rosenberg, Vice-President, recounts how Food Fair merchandise is bought and sold.

Herman R. Silver, Vice-President, explains the secrets of buying high quality meats.



SALES DOLLAR



Myer M. Gordon, Treasurer, explains breakdown of Food Fair sales dollar.

B. F. Lieber, Secretary, explains that record keeping, requiring hundreds of workers, is a business in itself.

Sales Dollar

BREAKDOWN

By far the greatest portion of the dollar paid by patrons for Food Fair merchandise goes to farmers, processors and suppliers of merchandise sold in the Company's supermarkets. Of the \$259,590,810 received by the Company during the fiscal year ended April 26, 1952, as much as \$216,410,152, or 83.36%, was so allotted. A total of \$21,984,822, or 8.47%, was paid out in salaries, wages and social security taxes. Rents, heat, insurance, depreciation, repairs, advertising and other operating costs accounted for \$12,507,131, or 4.82%. The toll of Federal and state income taxes amounted to \$4,803,425, or 1.85%, leaving net income of \$3,885,280. Cash dividends paid to shareholders for use of their savings totaled \$2,076,823, or 0.80%, and \$1,808,457, or 0.70%, was reinvested in the business.

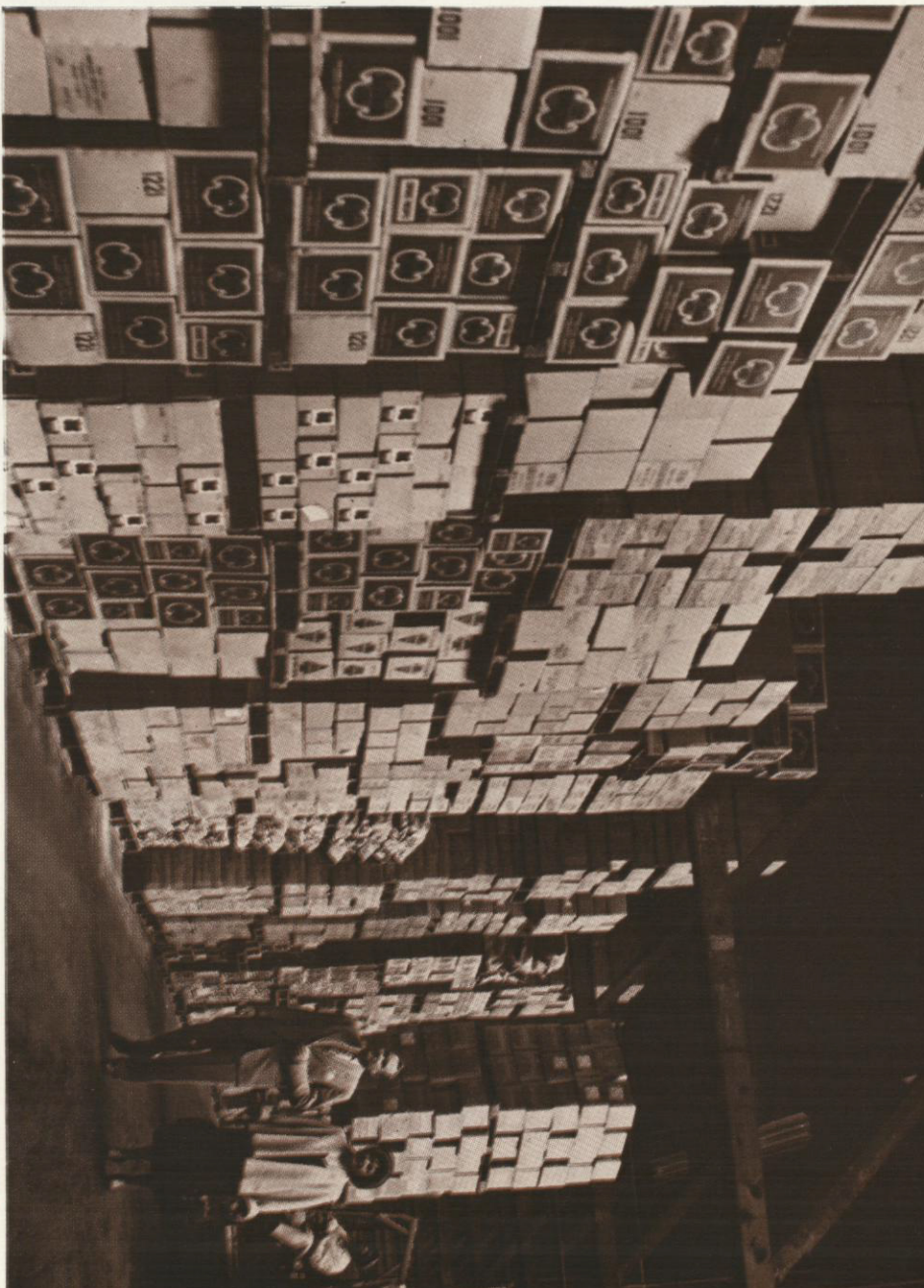
Reinvestment in the business of a portion of annual earnings has long been a basic Food Fair policy. Commonly known as "seed money," earnings so applied have been largely responsible for the vast growth of the Company during the past decade or more. They have played an important part in the increase in the number of Food Fair supermarkets from 77 to more than 151, in sales from \$41,746,000 to \$259,590,810, in net worth from \$5,406,527 to \$28,408,965 and in total assets from \$9,868,602 to \$53,376,631.

Warehousing

Success in supermarket operation is conditioned on the ability to maintain a steady stream of food from farm to family. Adequate warehouse and transportation facilities are vitally necessary if merchandise of countless kinds and from varied sources is to be funneled through a central distributing point and apportioned to outlying supermarkets.

To service the rapidly growing chain, Food Fair's main warehouse in Philadelphia was further expanded during the fiscal year ended April 26, 1952. Construction of a produce warehouse there was started in March. The meat warehouse was considerably enlarged, as was the fleet of trailer trucks. Garage facilities were expanded to include new repair and paint shops. A seafood warehouse, opened in New York City, is four times the size of the warehouse previously operated at that point.

An outstanding addition to the Company's warehouse facilities is the thoroughly modern 300,000-square-foot Linden, N. J., plant, which should be ready for operation in the near future. The produce division of the new warehouse, opened late last year, embraces large refrigerators of aluminum construction providing compartments for fruit, citrus and wet produce.



Food Fair's Philadelphia warehouse, one of the country's largest one-story food warehouses, is inspected.

The Linden plant contains also a dairy department, including coolers for highly perishable products as well as egg candling and packing departments. These air-conditioned facilities afford the utmost in quality control and in comfort for employees.

A frozen food department has also been incorporated in the new warehouse. The facilities permit economical operation through the use of modern materials handling equipment.



Food Fair's P.S.G. meat is prepared for shipment to stores.

Opening Day!

The launching of a new supermarket is a significant event not only for Food Fair but for the community at large.

The gala occasion usually is marked by intensified sales promotion activities in which celebrities participate.



▲ Screen star Joan Blondell, aided by Miami's Mayor Samuel Wolfarth and Food Fair executives, helps open another Miami unit.

▶ Samuel Friedland, Food Fair's founder and Chairman of the Board of Directors, welcomes Eddie Cantor, indelible entertainer, at West Palm Beach, Fla.

▼ Honorable Vincent R. Impellitteri, New York City's mayor, opens Manhattan's Port Authority Bus Terminal supermarket.

Maryland's Attorney General, Hall Hammond, participates at opening of another Baltimore unit. ▼





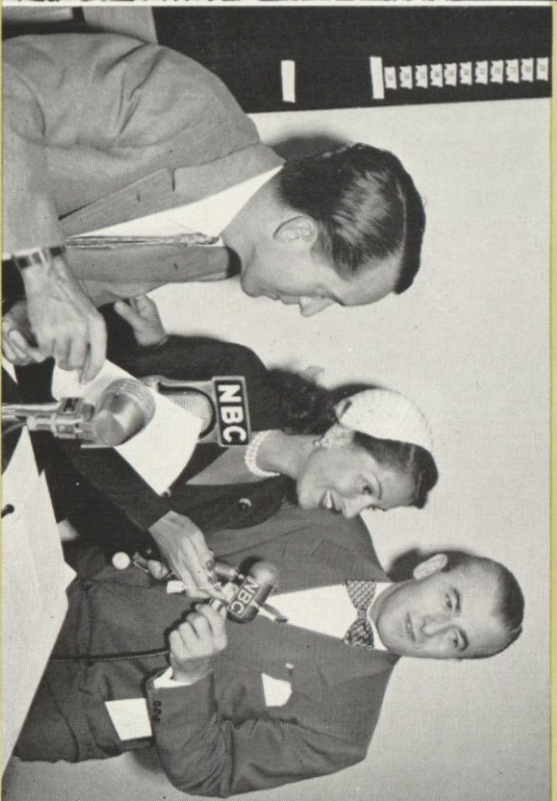
Huge throng at opening of Food Fair market in Parkchester section of New York City's Bronx.



Vice-President Herman R. Silver cuts ribbon to open Great Neck, Long Island, N. Y., supermarket.



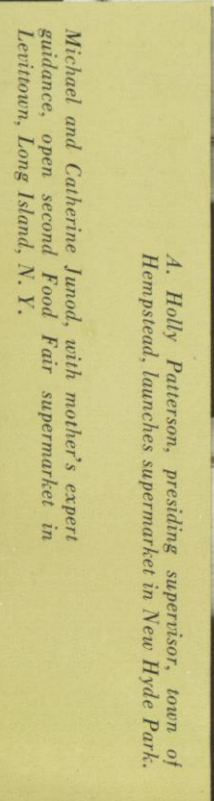
Maryland's Governor, Theodore R. McKeldin, makes first purchase at latest Baltimore supermarket.



Tex McCrary and Jinx Falkenburg, well-known commentators, interview President George Frieland at Manhattan's supermarket.



A. Holly Patterson, presiding supervisor, town of Hempstead, launches supermarket in New Hyde Park, Levittown, Long Island, N. Y.



Michael and Catherine Junod, with mother's expert guidance, open second Food Fair supermarket in Levittown, Long Island, N. Y.

Food Fair Stores, Inc.

OFFICERS

Samuel Friedland.....	<i>Chairman of the Board</i>	Herman R. Silver.....	<i>Vice-President</i>
George Friedland.....	<i>President</i>	Myer M. Gordon.....	<i>Treasurer</i>
Myer B. Marcus.....	<i>Executive Vice-President</i>	B. F. Lieber.....	<i>Secretary</i>
Arthur Rosenberg.....	<i>Vice-President</i>	Joseph Rash.....	<i>Assistant Secretary</i>
Louis Stein.....	<i>Vice-President, General Counsel</i>	Samuel Forman.....	<i>Assistant Secretary</i>
	Abraham Maloff.....		<i>Assistant Secretary</i>

DIRECTORS

George Friedland.....	Philadelphia, Pa.	James P. Magill.....	Philadelphia, Pa.
Samuel Friedland.....	Miami Beach, Fla.	Myer B. Marcus.....	Philadelphia, Pa.
Myer M. Gordon.....	Philadelphia, Pa.	Arthur Rosenberg.....	Philadelphia, Pa.
Hess Kline.....	Philadelphia, Pa.	Harold W. Scott.....	Philadelphia, Pa.
	Louis Stein.....		Jersey City, N. J.

EXECUTIVE OFFICES

<i>Transfer Agent</i>	2223 East Allegheny Avenue	<i>Registrar</i>
Registrar & Transfer Company	Philadelphia 34, Pa.	The Chase National Bank
50 Church St., New York, N. Y.		of the City of New York
15 Exchange Place, Jersey City, N. J.		11 Broad Street, New York, N. Y.

The \$4.20 preferred stock and the common stock are fully listed on the New York Stock Exchange

FOOD FAIR SUPERMARKETS

PENNSYLVANIA

ALLENTOWN (3)	LANCASTER (3)
BETHLEHEM (2)	LEBANON
BRN MAWR	LEMOYNE
CAMP HILL	NORRISTOWN
CHESTER (3)	PHILADELPHIA (1 6)
COATESVILLE	QUAKERTOWN
COLUMBIA	READING (3)
DREXEL HILL	SPRINGFIELD TOWNSHIP
EASTON	WEST READING
HARRISBURG (4)	YORK (3)
JENKINTOWN	

MARYLAND

BALTIMORE (1 5)
CATONSVILLE
COLLEGE PARK
GLEN BURNIE
MT. RAINIER

DELAWARE

WILMINGTON (2)
WILMINGTON MANOR

NEW YORK

ASTORIA	FOREST HILLS	JACKSON HEIGHTS
BAYSIDE	FRANKLIN SQUARE	LEVITTOWN (2)
BETHPAGE	FREEPORT	NEW HYDE PARK
BROOKLYN	FRESH MEADOWS (2)	NEW YORK (2)
	GREAT NECK	

NEW JERSEY

ATLANTIC CITY (2)	HACKENSACK	PASSAIC (2)
BELLEVILLE	HALEDON	PATERSON
CAMDEN	HIGHLAND PARK	PERTH AMBOY
CLIFTON	IRVINGTON	PLAINFIELD
COLLINGSWOOD	JERSEY CITY (3)	ROSELLE
EAST ORANGE	MONTCLAIR	TEANECK
ELIZABETH (4)	MORRISTOWN	TRENTON (3)
ENGLEWOOD	NEWARK (3)	UNION CITY
EWING TOWNSHIP	NEW BRUNSWICK	VINELAND
FAIR LAWN	NEW MILFORD	WEST NEW YORK
FORT LEE	NUTLEY	

FLORIDA

CORAL GABLES (2)
DANIA
FORT LAUDERDALE
HOLLYWOOD
MIAMI (1 2)
MIAMI BEACH (2)
WEST PALM BEACH

